

Message Text

UNCLASSIFIED

PAGE 01 KUWAIT 05913 220950Z
ACTION NEA-10

INFO OCT-01 AF-08 ARA-10 EUR-12 EA-09 ISO-00 FEA-01
ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00
EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-15 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-10 PA-02 PRS-01 /156 W
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R 220637Z DEC 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 6902
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

UNCLAS KUWAIT 5913

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SUBJECT: INDONESIAN AND KUWAITI MINISTERS GIVE VIEWS ON
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PAGE 02 KUWAIT 05913 220950Z

FUTURE OF OPEC AND OIL PRICES

1. KUWAIT PRESS OF DEC 21 CARRIES FOLLOWING REPORTED REMARKS OF
DEC 20 BY INDONESIAN MINISTER OF MINING SADLI AND KUWAITI MINISTER
OF STATE FOR CABINET AFFAIRS HUSSEIN. (THE FORMER IS NOW IN KUWAIT,
REPORTEDLY CONSULTING ON OIL MATTERS; THE LATTER SPOKE IN

AMMAN, WHILE ATTENDING A CONFERENCE OF ARAB MINISTERS OF CULTURE).

2. SADLI, COMMENTING ON SAUDI ARABIA'S STATED WILLINGNESS TO INCREASE OIL PRODUCTION, SAID THAT IT IS "PREMATURE TO TALK ABOUT THE EFFECTS" OF THE SAUDI STATEMENT. "EVEN SHEIKH YAMANI SAID OPEC . . . WILL NOT BE DESTROYED", A VIEW WITH WHICH SADLI CONCURRED. BUT "WE HAVE TO WAIT AND SEE THE EFFECTS (OF THE LIFTING OF THE SAUDI PRODUCTION CEILING) BECAUSE SAUDI ARABIA HAD IN FACT BEGUN TO INCREASE ITS PRODUCTION IN NOVEMBER AND DECEMBER . . . WE MUST ALSO SEE THE REACTIONS OF THE COMPANIES WHICH ARE UNDER CONTRACT TO PURCHASE OIL FROM THE COUNTRIES THAT ARE COMMITTED TO IMPLEMENT THE AGREEMENTS SIGNED AT DOHA, BECAUSE THESE COMMITMENTS CONSTITUTE A VERY IMPORTANT FACTOR . . . ALSO NO COMPANY CAN TURN FROM ONE ROLE TO ANOTHER AS EASILY AS SOME IMAGINE . . . I DO NOT BELIEVE THAT THESE COMPANIES WILL BREAK THEIR PREVIOUS AGREEMENTS, ESPECIALLY SINCE EVERYONE KNOWS THAT THIS PRESENT SITUATION IS TEMPORARY."

A. ON THE FUTURE OF OIL PRICES, SADLI OPINED THAT THE TWO-TIER SYSTEM" WILL NOT CONTINUE", BUT "WE MUST WAIT UNTIL AFTER THE FIRST TWO MONTHS OF 1977 . . . A PERIOD OF AMBIGUITY . . . ESPECIALLY AFTER THE NEW CARTER GOVERNMENT TAKES OVER". SADLI ADDED THAT IF "SAUDI ARABIA AND THE UAE WILL NOT CHANGE THEIR POSITION DURING THE NEXT SIX MONTHS THEN THAT WILL CREATE A NEW SITUATION." SADLI STATED, HOWEVER, THAT "THE ELEVEN COUNTRIES ARE BOUND BY THEIR RESOLUTION TO RAISE THE PRICE BY 10 PERCENT AND ... 5 PERCENT IN JULY AND THERE WILL BE NO RECONSIDERATION."

B. REGARDING THE FUTURE OF OPEC, SADLI DISAGREED WITH REPORTED REMARKS BY BOTH U.S. SECRETARY OF THE TREASURY SIMON ("OPEC WILL COLLAPSE EVENTUALLY") AND WITH LIBYAN OIL MINISTER
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PAGE 03 KUWAIT 05913 220950Z

MABROUK ("A NEW INTERNATIONAL ORGANIZATION FOR PETROLEUM PRODUCING COUNTRIES WILL RESULT"). SADLI SAID THE OPEC WILL NEITHER COLLAPSE NOR DISSOLVE, AND "MOST OPEC COUNTRIES DO NOT DESIRE" TO SEE OPEC REPLACED BY A NEW ORGANIZATION.

2. MINISTER HUSSEIN SAID THE 10 PERCENT PLUS 5 PERCENT PRICE INCREASE IS "REASONABLE", LESS THAN WHAT MANY ANTICIPATED, AND REFLECTED COLLECTIVE DESIRE" NOT TO CREATE ECONOMIC TURBULENCE IN THE WORLD." HE ACKNOWLEDGED THAT THE CREATION OF THE \$800 MILLION FUND TO HELP LDC'S BUY OIL WAS A KUWAITI INITIATIVE AT THE DOHA OPEC CONFERENCE.
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